

FARMERS' SOCIAL INSURANCE SYSTEM IN POLAND AS SEEN BY THE FARMERS

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Abstract. The main purpose of this paper is to examine the farmers' opinion on the functioning of their dedicated social insurance system. Particular attention was also paid to the development of different forms of social insurance and to the functioning of the Farmers' Social Insurance Fund (Polish acronym: KRUS). The analysis was based on a literature review and a survey conducted with 114 farmers registered in KRUS offices located in Działdowo, Iława and Ostróda, with assistance from the Olsztyn Regional Branch. The data collected enables an objective assessment of the entire social insurance system and reflects the farmers' views on the system and its reforms. The research shows that the accident insurance, health insurance and maternity insurance schemes work very well (41%) or well (34%) according to the farmers concerned. The respondents also expressed their satisfaction with activities undertaken by KRUS, especially in the social field (61%).

Keywords: social insurance system, agriculture, farmer, Poland

INTRODUCTION

Farmers are a unique occupational group in that they were the last to gain the privileges under the universal right to social insurance. The fact that farmers had not been eligible for social insurance for many years lacks a sound justification. This was due to the belief held by the then decision-makers and politicians that farmers did not meet the criteria specific to non-private employers and therefore could not participate in the social

insurance system on a par with employees of the state economy sector (Wawrzyniak and Wojtasik. 2005).

Among the European countries, Poland was the last to cover farmers with a social insurance system. An important step in this process was the implementation of the Farmers' Social Insurance Act of December 20, 1990 which entered into force on January 1, 1991 (Journal of Laws [Dz. U.] of 1991, No. 7, item 24). Since then, measures have been taken to solve and counteract the problems faced by farmers. The Farmers' Social Insurance Fund (KRUS) was established as a separate entity to implement the provisions of the aforementioned law. The provisions, widely thought to be very advanced, have brought the Polish system closer to similar solutions in place across Europe. The resulting social insurance system, and particularly the range of social service and rules for benefits allocation, comply with international standards, especially with the European Union law (Hołubicki, 2002).

The extraction of agricultural insurance from the universal social insurance system is not unique to Poland. Separate insurance funds exist in Finland, Greece, France, Luxemburg, Germany and Austria. Although farmers in the European Union make up a small percentage of the active population, they play an important role in national economies of many countries, particularly in France and Germany (Wantoch-Rekowski, 2014).

The social insurance system for Polish farmers and the KRUS fund have been operating for a relatively short time. Many amendments and changes have been

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introduced over the 28 years since the Act of 1990 entered into force. The distinctive feature of the latest amendments, implemented in 2016 and 2017, are the efforts to reinforce the legal separation of this system from the Polish universal insurance system. Changes have been made in such areas as the maternity benefit for farmer families; computation and updating of retirement pensions for farmers independently from the universal system; or new threshold limits for non-farm incomes earned by farmers (Gołaś, 2017). Problems recently raised in a public debate include the question whether the social insurance system performs well, and if the KRUS should operate as is. It is therefore worth looking at the Polish social insurance system, its functioning and reforms, and to learn farmers' opinions.

RESEARCH METHODS

The main purpose of this paper is to examine the farmers' opinion on the functioning of their dedicated social insurance system. To pursue that goal, data was collected through a questionnaire survey distributed to persons registered with the KRUS. Conducted in July and August 2018, the study covered 114 farmers based in the districts of Dziąldowo, Ostróda and Iława who agreed to participate. The research was made possible owing to the assistance from the Olsztyn Regional Branch of the KRUS.

The questionnaire contained questions revolving around problems such as the social insurance and family status of beneficiaries and contribution payers; evaluation of the benefits (accident, sickness and maternity benefits, pension schemes); and the current and future functions of the KRUS, as seen by the interviewees. The questionnaire consisted of 17 substantive questions. This paper presents selected research findings in line with the goal defined above.

CHARACTERISTICS OF THE POLISH FARMERS' SOCIAL INSURANCE SYSTEM

Social insurance plays an important role in today's world. It helps offsetting the effects of risk affecting companies and households. Insurance is defined as a protection measure against the consequences of random accidents which consists in transferring the risk to a company who offers insurance coverage. The insurance policy provider is required to offset potential future

losses by offering a financial compensation for material damage caused by such accidents (Szumlicz, 2005).

Compared to other mutual insurance and mandatory insurance schemes, social insurance is different in that it pursues a social aim and is a personal service, and therefore constitutes a separate organizational structure (Tarnowska, 2016). International literature defines social insurance as a program responding to conditional events. Benefits are payable upon occurrence of certain events affecting the life of policyholders, irrespective of their revenue or wealth. Unemployment benefits are paid to those who lost their jobs, and sickness benefits are received by the ill population. Disablement benefits are intended for people unable to work, and old-age pensions are drawn by persons who have reached retirement age (Feldstein, 2005).

It is extremely important for farmers to have the right to social insurance, especially because they form an important social and professional group in every country. Unfortunately, farmers in Poland had not been covered by any social insurance scheme for many years. Hence, the Act of December 20, 1990 which entered into force on January 1, 1991 was a turning point in the development of social security policy for Polish farmers. The provisions of the Act mean that the new farmers' social insurance system is based on mutual solidarity between the parties insured and on a large financial contribution from the state budget (Podstawka, 1998).

The performance of tasks imposed by the 1990 Act was delegated to a separate institution referred to as the Farmers' Social Insurance Fund (KRUS): a central authority subordinate to the minister of agriculture. It is headed by a president who oversees regional branches and other KRUS offices, and by the Council of Farmers (Muszalski, 2010). The primary aim of the Farmers' Social Insurance Fund (KRUS) is to perform tasks involved in the provision of complete services under social insurance schemes for farmers. It was established as a separate, dedicated institution in line with the concept of a specialized independent organization which, as an actual manager of the agricultural social insurance system, would take over and ensure efficient management of all previously dispersed tasks in the field of social insurance services while also undertaking new initiatives, previously not addressed by any insurance institution in Poland (Milewska, 2002).

In compliance with the Farmers' Social Insurance Act, the KRUS manages its own finances. The statutory

tasks are financed with three special-purpose state funds: the Administration Fund, the Rehabilitation and Prevention Fund, the Disability and Old-Age Pension Fund, and with an additional fund outside the state budget, the Farmers' Social Contributions Fund.

There are two types of insurance in the farmers' social insurance system:

- accident, health and maternity insurance policies, financed solely with the contributions collected from farmers in the Farmers' Social Contributions Fund,
- disability and old age-pensions, financed mostly with state subsidies, supplemented with some funds collected as contributions from the farmers insured (KRUS, 2016).

The opinions on the Polish farmers' social insurance system are inconsistent. Some are critical of it, seeing the fund as an excessive burden to the state budget. Farmers are satisfied because it provides them with a reliable source of income. The system is the only part of the national agricultural policy which does not cause major controversies in the agricultural sector. This proves it to be a suitable solution for farmers. Years since the fund was created, it can now be concluded that some of the solutions adopted then were correct. Others have not survived in the changing social and economic context (Kisiel et al., 2013).

SOCIAL INSURANCE SYSTEM, ITS CONTRIBUTORS AND BENEFICIARIES

In order to explore the farmers' views on available social insurance schemes and on the future of the KRUS, a survey was conducted with 114 farmers.

To gain a better insight into the respondents' opinions, the structure of the whole group surveyed was initially analyzed. Focus was placed on several pertinent elements, i.e. gender, age, education, qualifications and farm area of respondents. A slight prevalence of women was noted, with 53% of women vs. 47% of men interviewed. Most respondents were in the age brackets of 25–45 years (42%) and 46–64 years (36%). The lowest share of respondents was in the youngest and oldest group: under 25 years (12%) and over 64 years (10%). As shown by the study, as many as 24% of respondents have only a primary education (usually older people). People with an agricultural education accounted for 31%, many more had a non-agricultural education (up to 45%).

The main tasks of KRUS include providing services to farmers insured and other beneficiaries of the fund (eligible for disability or old-age pensions). This is how the KRUS beneficiaries can be grouped: insured persons (contribution payers) who make up 68% of respondents (including people covered by sickness, accident and maternity insurance schemes) and people who draw pensions (22% of the respondents). 10% of respondents declared not to use KRUS services. In Poland, in 4Q 2017, there were 1,170,492 beneficiaries of the KRUS and 1,270,525 people covered by KRUS insurance schemes. These figures have been steadily declining over the years (KRUS, 2018). In the operational context of the insurance system, the ratio between system contributors and beneficiaries (which is close to one) is a relatively positive finding (Czyżewski, 2017).

Eligibility for benefits in the case of an accident or illness, as well as providing for one's old age by offering a disability or old-age pension is important for anyone during their working life, including farmers. In the light of this survey, Figure 1 illustrates the farmers' attitude towards their social insurance scheme and their opinions about the accident, sickness and maternity policies. The interviewees find the accident, sickness and maternity insurance coverage to be very good (as many as 41% of respondents). This positive opinion was mostly expressed by farmers aged 25–45 years. The replies given by 34% of the respondents, mostly aged 46–64 years, suggest that the system performs well. Negative opinions were expressed by just 1 percent of respondents, mostly aged 25–45 years. As many as 24% were unable to answer this question.

For the farmers, an important part of the system is the ability to undertake an additional economic activity (Table 1). This was enabled on January 1, 2015, when the Act of October 23, 2014 amending the Social Insurance Act and certain other acts entered into force. The acts amended include the Farmers' Social Insurance Act. According to the amended act, farmers insured with the KRUS are allowed to earn an additional income under a contract of mandate without the risk of losing their insurance rights, provided that the income does not exceed half of the minimum remuneration for work.

The question whether a respondent undertook an additional job was answered negatively by 95 farmers while 19 said they did (which corresponded to 17% of the total group surveyed). KRUS data also proves that few people are engaged into both farming and non-farming

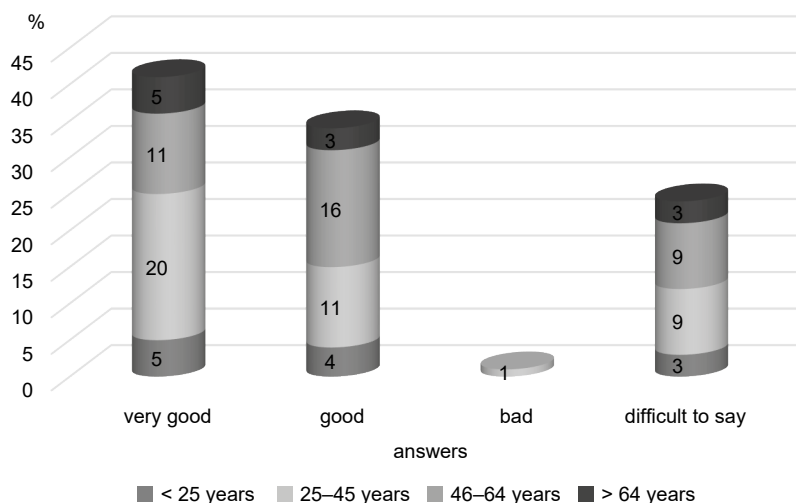


Fig. 1. Assessment of the functioning of accident, sickness and maternity insurance (depending on the respondents' age)
Source: results of own research.

Table 1. Additional gainful activity undertaken by farmers (%)

Item	Women (N = 60)	Men (N = 54)
No	93	72
Yes (including: contract of employment; earnings in a production company; carpentry; forestry; work in a furniture company; catering services; hunting; non-agricultural business; warehouse keeping)	7	28

Source: results of own research.

activities at the same time. At the end of 2017, there were 81,205¹ of them. Such a small number of farmers engaged in additional jobs may result from the fact that farming is hard work which requires much time and effort, and therefore most farmers dedicate themselves to working on their farms only.

The survey also included a question on whether farmers would be willing to pay an additional health insurance contribution to be provided with better healthcare

¹ <https://www.krus.gov.pl/krus/krus-w-liczbach/liczba-osob-ubezpieczonych-w-kasie-prowadzacych-pozarolnicza-dzialalnosc-gospodarcza/>

services. The results are presented in Table 2. The answers show that over half of the respondents would be interested in better healthcare, and would even be willing to pay more in order to achieve this. Table 2 shows a small predominance of female respondents interested in this solution. How much more would the respondents agree to pay for better healthcare services? More than half (53%) of the interested farmers could pay the smallest contribution, within the range of PLN 0 to PLN 20. The highest suggested amount (over PLN 100) was accepted by only 6% of respondents. However, according to research by Zabielska (2013), farmers engaged in non-agricultural economic activity most frequently opted for agricultural insurance.

Table 2. Willingness to pay additional health insurance contributions

Item	Yes – 66 persons		No – 48 persons		Total – 114 persons	
	women	men	women	men	women	men
Total number of persons	35	31	25	23	60	54
share (%)	58	57	42	43	100	100

Source: results of own research.

CURRENT FUNCTIONING AND FUTURE OF THE KRUS ACCORDING TO FARMERS

The functioning of the KRUS (Farmers' Social Insurance Fund) is widely debated in Poland. One of the questions is whether the current legal regulations adequately protect entrepreneurial farmers from becoming unable to work (Puślecki, 2017). Propositions are put forward to modify, discontinue or incorporate the farmers' system into the general social insurance system (ZUS). None of these options has been implemented. But what do the farmers think about it? To answer this question, the respondents were first asked whether the farmers' social insurance should continue as a separate system. Table 3 shows that only slightly more than half (57%) of the farmers interviewed believe that the farmers' social insurance system should be a separate entity. The prevailing arguments are that farmers form a large, specific social group, and their work differs from other occupations. The respondents find it important to have the Council of Farmers. Positive feedback also occurs when comparing the system's functioning to the Social Insurance Institution (ZUS) which, according to the respondents, collects higher contributions beyond what some of the farmers can afford. In addition, the farmers find KRUS to function better than ZUS. The opponents

of a separate social insurance system for farmers made up just 4% of the total number of respondents. Their opinion was supported with one argument: the excessive financing of the system from the state budget. Other respondents (39%) had no opinion about this problem.

As regards the farmers' satisfaction with services provided by the KRUS, the results are shown in Figure 2. In this case, the respondents slightly differ in their

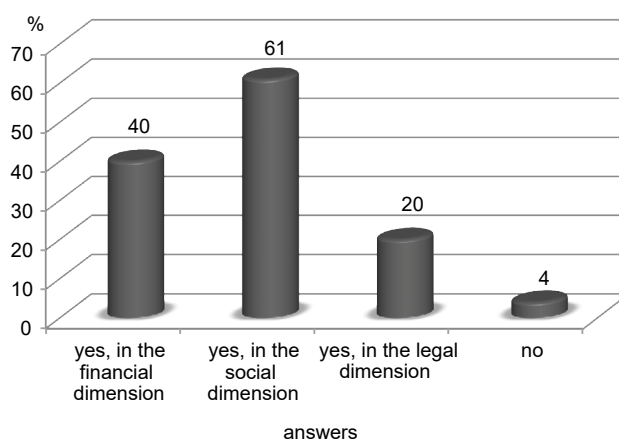


Fig. 2. Satisfaction of respondents with KRUS activities (more than one answer could be checked (with a maximum of 2))
Source: results of own research.

Table 3. Respondents' opinion on the functioning of the farmers' social insurance as a separate system

Item	Number of answers	Share (%)
Yes, because (respondents' answers):	65	57
<ul style="list-style-type: none"> • farmers are a specific, large social group • farmers cannot afford paying higher contributions • farmers as a large, separate group should have their own, well-functioning and efficient system • shorter lines, faster service • the Fund independently manages its finance under the supervision of the farmers' council • it performs well in its function, and is more comfortable and cheaper • faster service • I think that KRUS performs better than ZUS 		
No, because (respondents' answers):	5	4
<ul style="list-style-type: none"> • it is excessively subsidized from the budget 		
I have no opinion	44	39
Total (N)	114	100

Source: results of own research.

views. Nearly all of them feel satisfied with KRUS services, which somewhat negates the fact that only 57% are in favor of maintaining it as a separate system. This can implicate some indecisiveness of farmers themselves. The respondents are the most satisfied with KRUS services in the social domain (as many as 61% of answers), and slightly less satisfied with the financial dimension (40%). The legal aspect was found satisfactory by 20% of farmers. Only 4% of respondents reported to be dissatisfied with KRUS services. This may be due to the fact that until recently, Polish farmers had not had any social insurance system at all. Nowadays, every farmer can be covered by a social insurance system which means that when they retire, they can expect a pension and have a more secure future. Other social benefits also improve the standards of living for many farmer households. These are the circumstances which make the farmers highly satisfied with the social dimension of KRUS activities.

Conversely, the farmers are less satisfied with the financial dimension because the benefits they draw are lower. In 2016, the average disability and retirement pension for farmers was PLN 1182.83 a month, which is little to live on (GUS, 2017).

The respondents were also asked if there was anything that could be improved in the KRUS's operations. According to 63% of them, the best way to improve the system would be to reduce bureaucracy. However, this

is the problem that most offices struggle with, and excessive paperwork is an obstacle difficult to overcome. Other answers suggested by the farmers were to increase the number of customer service staff (32%) and to process applications faster (15%). According to ¼ of respondents, the KRUS works very well and there is no need to improve it.

In the final part of the survey, the farmers were asked about the future of the Farmers' Social Insurance Fund (Fig. 3). The results show that a vast majority of respondents are in favor of maintaining the KRUS in its present form. This is the opinion most often expressed by the farmers with the largest farms (over 30.00 ha), of whom 83% agreed with this answer. This opinion was shared by 76% of farmers with between 5.01 ha and 30.00 ha of farmland, and by 67% of smallest farm owners (up to 5.00 ha). A small percentage of respondents would consider reforming the KRUS in the future. Only 6% of farmers with the smallest farms (up to 5.00 ha) advocate incorporating the KRUS into the ZUS. A few respondents had no opinion on this problem. However, none of the respondents wanted to dissolve the KRUS in the future.

The Farmers' Social Insurance Fund (KRUS) addresses the needs of the farmers and performs well in its role. These research findings can be explained by the specific nature of farming and a small number of institutions active in this area. As shown by the answers to the

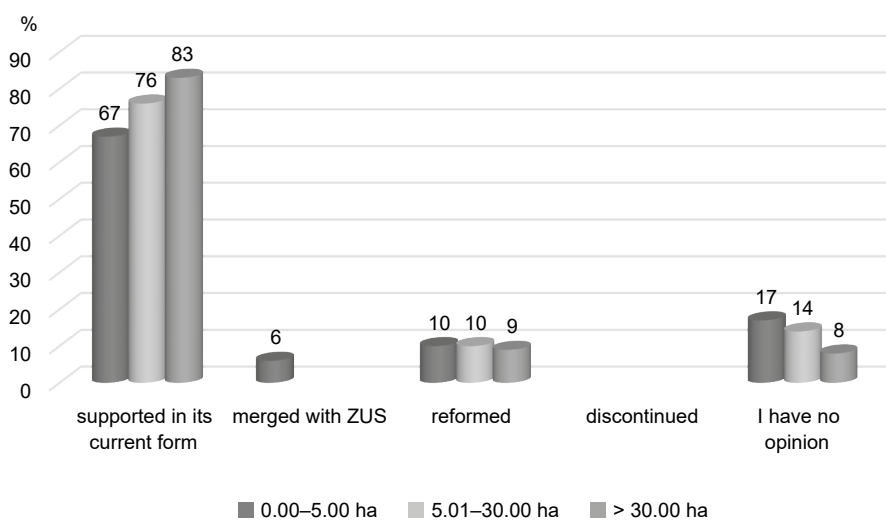


Fig. 3. Farm size vs. respondents' opinions on the future of KRUS
Source: results of own research.

questionnaire, the farmers themselves believe it to be important for them to have a separate social insurance system and to have an institution like the KRUS who can provide them with adequate insurance coverage during their working lives and retirement.

SUMMARY

The following conclusions were drawn from the analysis of the survey data collected in 2017:

1. According to the respondents, the Polish system of social insurance for farmers performs very well. Over half of respondents (57%) claim that it should continue to operate as a separate system. They are of an opinion that farmers are a large, specific group in the society and their work is different from other occupations. They believe that they could have their applications processed faster in the KRUS, and that it performs better than the general social insurance fund (ZUS). This is why it is important for the agriculture, as a very large sector, to have its own, efficient insurance system which performs well in its functions.
2. According to the interviewees, the most important tasks of the KRUS are: to provide services to farmers insured and other beneficiaries of the system, i.e. pensioners (72% of answers), and to grant and pay the benefits (56%). According to the respondents, the KRUS performs these tasks very well. According to 75% of respondents, the system of accident, sickness and maternity insurance policies performs well or very well. Such positive answers were mostly given by farmers aged 25–45 years.
3. As many as 96% of respondents express satisfaction with how the KRUS works. The reason could be the fact that farmers had not had any right to social insurance for years. Hence, having their own, separate social insurance system now brings them satisfaction. Services provided by the KRUS give the highest level of satisfaction in the social (50%) and financial (33%) areas. Farmers feel more secure knowing that they will not be left to their own resources in the case of hardship; that they can count on the insurance coverage; and that they will draw satisfactory pensions in the future.
4. Despite a variety of opinions about having a separate agricultural social security system, farmers are in favor of the current solution. The overwhelming

majority of respondents believe that the KRUS should remain as it is today (74%). Few think that reforming the KRUS would be a good option. An important argument for the continued existence of the KRUS is that none of the respondents advocated its dissolution.

Recapitulating, according to the respondents, the Polish farmers' social insurance system performs well and plays an important role in their lives. Farmers are satisfied with having a separate social insurance system. Most importantly, the KRUS should not be dissolved because it is an institution that addresses the needs of Polish agriculture.

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